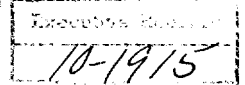


ARABIAN AMERICAN OIL COMPANY

A CORPORATION
SHOREHAM BUILDING
WASHINGTON 5, D. C.



March 11, 1958

Mr. Allen Dulles,
2430 E Street, N. W.
Washington 25, D. C.

Dear Mr. Dulles:

With reference to our conversation regarding the present status of Middle East reserves and production, I cannot over-emphasize the importance of these to the United States at the present time. I believe we are approaching the end of the growth of our proved reserves in the U. S. and while by increasing price and thereby stimulating drilling activities, we can somewhat artificially continue to increase our proved reserves, we can only do it for a relatively short time and at a high cost. The only area in which there is any great possibility for our finding massive new reserves is in the seaway where production techniques are difficult and costs are high. It is true that we can produce oil from oil shale and recover it from tar sands at home, but this has to be at a price and I might add that this price is written not only high in dollars but in steel consumption and in labor to mine and process it, two factors we must not neglect in times of crisis. Steel and labor are the real currencies of war time.

At the present time 71% of the world's proved reserves lie in the Middle East. I enclose a tabulation showing world proved reserves as estimated in 1947 and 1957, together with present production rates and a guess at future probable ultimate recoverable reserves in the Middle East. To put this in the proper framework, our proved reserves at home today are about 33 billion barrels in contrast to 169 billion barrels in the Middle East. I would guess that the probabilities are that the ultimate recoverable reserves in the Middle East may reach a figure of say four hundred billion barrels, so that a large proportion of the world's oil is going to come from this area despite discoveries in other areas which may temporarily divert markets from the Middle East, such as for example in Algeria and in Venezuela.

If the Russians can gain control of the Persian Gulf they would thereby gain control of the world's oil industry. They could determine prices for oil and control the quantities laid down and this

2-1958

Mr. Allen Dulles - 2
March 11, 1958

would not only affect the oil industry but also other fuels, such as coal, and ultimately might determine the rate of industrialization in many areas. There could be no more satisfactory way of manipulating the world economy than the control of oil reserves in the Middle East. These reserves are, therefore, of permanent and paramount importance in the power struggle in which we find ourselves involved. They should remain in the hands of the west at all costs.

Sincerely yours,


James Terry Duce

Enclosures.

ESTIMATED FREE WORLD CRUDE OIL RESERVES YEAR END 1947 AND 1957 AND
POSSIBLE ULTIMATE RECOVERABLE RESERVES
(Millions of Barrels, except as indicated)

<u>Eastern Hemisphere</u>	<u>Reserves</u>	<u>% of Total</u>	<u>Reserves</u>	<u>% of Total</u>	<u>Possible Ult. Recov. Reserv.</u>	<u>Production B/D 1/58 Thousands (Bbls.)</u>
Middle East						
Saudi Arabia	3,600	6.5%	45,000	19.0%	100,000	978
Bahrain	280	.5	200	-	500	35
Dhofar	-	-	1	-	-	-
Iran	5,625	10.5	32,000	13.5	100,000	842
Iraq	5,000	9.5	25,000	10.5	100,000	615
Israel	-	-	50	-	20	1.4
Kuwait	4,500	8.5	60,000	25.0	100,000	1,313
Kuwait Neutral Zone	-	-	5,000	2.0	25,000	73
Qatar	500	1.0	1,750	1.0	20,000	159
Syria	-	-	500	.5	-	-
Total Middle East	19,505	36.5	169,501	71.5	445,520	4,016
Western Europe	194	.5	1,369	1.0		235
Africa	142	-	814	.5		60
British Borneo	200	.5	550	3.0		120
Indonesia	850	1.5	7,500	-		330
Other Far East and Oceania	193	.5	528	-		35
Total						
Eastern Hemisphere	21,084	39.5	180,262	76.0		4,805
<u>Western Hemisphere</u>						
Canada	200	.5	3,259	1.5		485
Mexico	1,058	2.0	2,750	1.0		250
United States	21,488	40.0	33,000	14.0		6,883
Venezuela	8,350	15.5	16,000	6.5		2,540
Other Western Hemisphere	1,304	2.5	2,255	1.0		435
Total						
Western Hemisphere	32,400	60.5	57,264	24.0		10,593
Total Free World	53,484	100.0	237,526	100.0		15,397

STATINTL

Approved For Release 2002/02/27 : CIA-RDP80B01676R003800040050-4

Approved For Release 2002/02/27 : CIA-RDP80B01676R003800040050-4